



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/009

Audit of travel activities in UNAMI

Overall results relating to effective management of air travel activities were partially satisfactory. Implementation of two important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

12 February 2013

Assignment No. AP2012/812/04

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AUDIT REPORT

Audit of air travel activities in UNAMI

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of air travel activities in the United Nations Assistance Mission for Iraq (UNAMI).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNAMI Travel Unit was responsible for the management of air travel services. The services provided by the Unit included the purchasing of air tickets and managing the travel service contract that UNAMI had entered into on 26 July 2011 for a Not-to-Exceed amount of \$26.8 million. The Unit was headed by a Chief Travel Officer (CTO) at the P-4 level who reports to the Chief of General Services Section. As at 1 July 2012, the Unit had six authorized posts.
4. Comments provided by UNAMI are incorporated in italics.

II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of the UNAMI governance, risk management and control processes in providing reasonable assurance regarding the **effective management of air travel activities**.
6. The audit was included in the 2012 OIOS risk-based work plan as part of a comprehensive audit of travel management services in the United Nations Secretariat and due to the importance of air travel in the successful accomplishment of the Mission's mandate.
7. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as controls that provide reasonable assurance that policies and procedures: (i) exist to guide the operations of air travel activities in UNAMI; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.
8. The key control was assessed for the control objectives shown in Table 1.
9. OIOS conducted this audit from April to August 2012. The audit covered the period from 26 July 2011 to 31 May 2012.
10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

11. The UNAMI governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding **effective management of air travel activities**. OIOS made three recommendations to address issues identified. The vendor selection process for the travel services contract was awarded based on best value for money after review by the UNAMI Local Committee on Contracts (LCC) and the Headquarters Committee on Contracts (HCC). However, the selected vendor did not comply with the contract's provisions including those intended to achieve economy and efficiency of travel, and did not provide adequate documentation to support invoices. Procedures were in place to ensure that travel requests were processed two weeks in advance of travel.

12. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of two important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of air travel activities in UNAMI	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

Vendor selection process was adequate

13. The procurement process for travel services in which 33 vendors were invited to bid was completed in a timely manner. Five vendors responded to the request for proposal and all of them met the technical evaluation criteria. For the commercial evaluation, the LCC initially recommended to split the contract into two categories in order to select the vendor with the lowest aggregate financial proposal per category of travel as shown in Table 2 below.

Table 2: Cost analysis for vendor selection

Category of travel	Est. # of Tickets per year	Financial proposal per vendor				
		Vendor A	Vendor B	Vendor C	Vendor D	Vendor E
Individual travel	800	11,799,405	6,610,105	8,173,566	9,236,889	12,158,407
United Nations Guard Unit Travel	1,460	15,025,890	21,049,603	20,121,869	15,774,028	27,672,207
Total financial proposal		26,825,295	27,659,708	28,295,434	25,010,917	39,830,614
Service charge per ticket		\$17	\$35.34	\$31.80	\$19.7	7% of cost

14. The LCC recommendation was however rejected by the HCC in consultation with the Procurement Division (PD), which was of the view that, for the purpose of travel services, the commercial evaluation of the bidders should be based on the quoted service charge per ticket instead of the estimated total cost of tickets to be purchased per year. As a result, UNAMI selected Vendor A whose proposed service charge per ticket was \$17, the lowest compared to the other vendors. OIOS is satisfied with the vendor selection process.

Contract award did not conform to requirements

15. Vendor A was awarded the contract for a NTE amount of \$26.8 million for five years. The NTE amount should not have included ticket costs as these would only be known at the time of booking the ticket and be reimbursed accordingly. As a result, the NTE amount was unnecessarily inflated. Additionally, Vendor A did not provide the required performance bond of \$485,882.

(1) UNAMI should ensure that contractors provide a performance bond within five days of signing the contract as required by the United Nations Financial Regulations and Rules.

UNAMI accepted recommendation 1 and stated that the Procurement Section had negotiated an agreement with Vendor A to provide a performance bond for 10 per cent of the actual value of the 2012 invoices. Recommendation 1 remains open pending receipt of a copy of the performance bond from Vendor A.

UNAMI monitored air ticket prices

16. The contractor did not charge UNAMI the lowest market fare, diminishing the cost-effectiveness of the contract. As a result, during the audit period, UNAMI purchased 129 tickets from other travel agencies to save on the cost of airfare. The UNAMI decision to purchase tickets from other vendors resulted in a cost savings of \$55,643 for the purchase of 101 (78 per cent) of the 129 tickets. OIOS is satisfied with the action taken by UNAMI to ensure that travel services were cost-effective.

Need to improve verification of contractor's invoices

17. From a sample of 71 invoices valued at \$906,746 from a total payment of \$1.8 million, UNAMI obtained from the contractor, airline bills and payment vouchers for only 58 invoices valued at \$283,695. There were no supporting documents for the remaining 13 invoices valued at \$622,471 (representing 69 per cent of the value of the sample of 71 invoices). UNAMI advised that the contractor has been informed that future invoices would not be paid until the required supporting documentation is complete.

18. The contractor did not report discounts, rebates and sales commissions received from airlines, and UNAMI did not follow-up with the contractor to ensure that these were deducted from the \$17 service charge imposed on each ticket purchased.

19. UNAMI advised that they had instituted regular meetings with the contractor to discuss compliance with the terms of the contract, including the price quoted.

- (2) UNAMI should implement procedures to monitor compliance by the contractor with the terms and conditions of the contract, and obtain and review the supporting documents of all invoices including the 13 invoices valued \$622,471 for validation purposes, and recover any excess amounts reimbursed to the contractor.**

UNAMI accepted recommendation 2 and stated that the Travel Unit had initiated a review of all invoices paid since 26 July 2011 and requested the contractor to provide the missing supporting documents, including proof of payment to airlines. For future invoices, the contractor had been informed that payment would be withheld until all required supporting documents are provided. Recommendation 2 remains open pending OIOS' verification that supporting documents for invoices have been provided by the contractor, and appropriate action has been taken, if required.

Travel requests were not submitted in a timely manner

20. The Under-Secretary-General for Management had sent an inter-office memorandum on 4 April 2011 to all Heads of Departments and Offices to not approve any travel request and related air ticket issuance submitted less than two weeks prior to the date of departure. A monthly report with statistical data on compliance would be required from travel agencies and these measures were to be fully implemented by 1 June 2011.

21. Twenty-seven of the sample of 40 commercial air travel requests reviewed were submitted to the Travel Unit within an average of five to six days prior to the date of travel. As a result, air tickets were not purchased in a timely manner.

- (3) UNAMI should comply with relevant travel guidelines by ensuring that travel requests are approved and submitted for processing at least two weeks prior to departure. Exceptions should be approved and documented.**

UNAMI accepted recommendation 3 and had taken steps to ensure that emplacement repatriation travels were processed two weeks prior to the travel date. In addition, the Kuwaiti Joint Support Office issued a broadcast on 27 January 2013 reminding staff members to comply with the air travel tickets purchase policy. Based on the action taken by UNAMI, recommendation 3 has been closed.

IV. ACKNOWLEDGEMENT

22. OIOS wishes to express its appreciation to the Management and staff of UNAMI for the assistance and cooperation extended to the auditors during this assignment.



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Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of air travel activities in UNAMI

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNAMI should ensure that contractors provide a performance bond within five days of signing the contract as required by the United Nations Financial Regulations and Rules.	Important	O	Receipt of a copy of the performance bond from Vendor A.	28 February 2013
2	UNAMI should implement procedures to monitor compliance by the contractor with the terms and conditions of the contract, and obtain and review the supporting documents of all invoices including the 13 invoices valued \$622,471 for validation purposes, and recover any excess amounts reimbursed to the contractor.	Important	O	OIOS' verification that supporting documents for invoices have been provided by the contractor, and appropriate action has been taken, if required.	28 February 2013
3	UNAMI should comply with relevant travel guidelines by ensuring that travel requests are approved and submitted for processing at least two weeks prior to departure. Exceptions should be approved and documented.	Important	C	Action taken	Implemented.

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNAMI in response to recommendations.